

67. By the time NMTV sold the station in April 1991, 50% of the full-time staff were minorities. (Tab AA, pp. 1-2.) Had NMTV not built the station, those employment opportunities would not have existed. Although we did not fulfill all our expectations in Odessa, by putting a dark channel on the air, providing the public service benefits of the network programming, and creating employment opportunities, I believe NMTV's first station made a constructive mark.

68. Concerning Portland, the situation was different. Portland was a city in the nation's top 30 markets, and it was a city that could support local production and be the foundation on which a durable minority company could be built. NMTV has worked hard in Portland to provide employment opportunities to minorities, and I believe it has succeeded. As shown in Tab BB, after one year of operations in Portland, NMTV's full-time workforce has consistently included between 40-45% minorities. Based on the 1990 Census, the total minority workforce in the Portland market was 10.2%. Thus, based on the FCC's equal employment processing guideline which provides for station employment equal to 50% of minority representation in the community workforce, NMTV's minority employment profile of over 40% was eight times higher than the 5% for which the FCC's guideline provided.

69. One of the first employees in Portland, and an important contributor to the station's minority initiatives, is

Jim McClellan, who has been Station Manager since January 1990. Mr. McClellan approached me in approximately October 1989 to apply for the position. He was then the producer and host of a magazine program that TBN broadcast called Joy In the Morning. He said he was interested in moving his family from Southern California and had heard that the Portland station might be looking for a manager.

70. I thought that Jim was a strong candidate because of his background as a local programmer. NMTV had plans for extensive local programming in Portland, and especially programming for the minority community. I knew from Jim's background as producer and host of the Joy program that he was experienced and capable in local production and that he both knew and had a special rapport with members of the minority community, whom he frequently brought on to his Joy program as guests. He also had supervisory and administrative experience pastoring his own churches. I told Jim that NMTV was a separate company from TBN; that NMTV's Board of Directors was minority controlled because David Espinoza and I, along with Dr. Crouch, were the Directors; and that NMTV wanted to emphasize serving the minority community. I also told him that if NMTV hired him, he would lose his benefits at TBN. After the discussion, I informed both Pastor Espinoza and Dr. Crouch that Mr. McClellan had applied for the position. Pastor Espinoza said he knew Mr. McClellan personally and from Jim's program, and that he favored

hiring him. Dr. Crouch agreed with my suggestion that Jim be hired.

71. A few weeks after he applied, I told Mr. McClellan that he was hired. At that time the station was within days of commencing operation, and I began having training sessions with Jim looking toward him assuming the Station Manager position on January 1, 1990. During those sessions we discussed the need to ascertain community needs and to offer responsive programming, and I particularly laid out NMTV's plans to employ minorities and to produce and broadcast local programs that address the needs of the minority community. In that regard, we discussed that NMTV would need to complete the renovation of its local studio from which the local production would emanate. I mention these discussions now to emphasize that NMTV's plans to produce local programming to address the needs of the minority community were clearly established before the station went on the air. Although the studio was not completed until 1992, and the local programming did not commence until that time, the delays in implementing those plans were entirely related to the unexpected difficulties NMTV encountered in completing the local studio.

72. The construction of NMTV's Portland studio is a classic example of the best laid plans of mice and men going awry. We had planned that the studio could be completed and ready for local production within the first year of station operations, but then the roof almost literally fell in. The

general contractor we hired turned out to be habitually unreliable; its subcontractors were also unreliable; and often they would begin work, only to leave and not return. We had constant problems scheduling them for work, having them leave half-completed projects for considerable periods of time, and having them do such poor work that much of it had to be redone.

73. For example, when the lighting grid for the studio was installed, it was mounted on a light-weight frame suspended from the ceiling. Because the ceiling was slightly sloped at the end of the building, the light grid should have been separately leveled. It was not. We did not discover this, however, until the grid had been completed and we learned that it not only was not strong enough to support the weight of the lights, but the lights could not be properly directed because of the angle. The entire grid had to be taken down and a stronger, leveled grid installed. This fiasco alone created many months of delay and added thousands of dollars in remodeling costs. Ultimately, we brought in separate subcontractors of our own to complete the studio construction, but the problems with the original contractor and subcontractors had cost us approximately a year and a half. The studio that we had expected to complete in 1990 was not ready for production until the middle of 1992.

74. With completion of the Portland studio, NMTV has commenced the production of local programs to address the needs of the minority community. It has continued to employ and train

minorities. The station engages in various outreach activities to the minority community, and has plans for a Minority Advisory Board and student intern program in schools with minority enrollment. Mr. McClellan will submit testimony to describe the station's service to the minority community in more detail.

75. As indicated above, when I interviewed Mr. McClellan I told him that NMTV was a separate company and he would lose his TBN benefits if he worked for NMTV. As shown in Tab CC that in fact happened; Mr. McClellan's TBN insurance was terminated and he had to reapply for NMTV coverage. Tab CC, page 1 reflects Mr. McClellan's enrollment for NMTV insurance effective April 1, 1990, following the applicable three-month waiting period from his employment on January 1. Tab CC, page 2 reflects that, during that waiting period, Mr. McClellan paid for his own extension of the TBN coverage under a COBRA arrangement which terminated with the April 1, 1990, effective date of his NMTV coverage. Another illustration of the same occurrence concerns Mark Fountain, a former engineer at TBN whom I hired to be Chief Engineer in Portland. Mr. Fountain likewise had to terminate his TBN insurance and enroll for NMTV coverage. (Tab CC, pp. 3-4.)

76. NMTV also has its own membership in the National Association of Broadcasters. TBN is not a member of NAB, but I thought it would be helpful for NMTV to have access to NAB's legal, renewal, and other services. NAB's materials go directly

to the station in Portland. In fact, concerning NMTV, my state of mind has never been anything except that NMTV is a separate corporation from TBN that is controlled by its separate Board of Directors, which in turn is minority controlled because minorities have majority control of the Board. Attached at Tab DD are letters I wrote, and an NMTV administrative flow chart that I prepared when the Odessa station was built, which reflect my understanding that NMTV's minority-controlled Board of Directors controls NMTV.

77. Upon entering the agreement to acquire the Odessa station in January 1987, NMTV became an active company with business to transact. Attached at Tab EE are formal documents that were prepared for NMTV concerning purchase of the Odessa station and extending through the time period that was covered by discovery in this proceeding. During that time period, NMTV's Directors also had several telephone conference calls and other telephone and in-person conversations that were not memorialized in documents. The following paragraphs address a number of the matters that occurred during the period encompassed within Tab EE:

a. Tab EE reflects a number of actions that Pastor Espinoza approved by written consent. In this regard, my practice was to call Pastor Espinoza for his approval of the action before sending him the document to execute. Concerning the action by written consent dated January 26, 1987 (Tab EE,

p. 1), Pastor Espinoza did not execute the document at the time the action was taken. I do not know the explanation for that omission (for example, whether I neglected to send it to him, whether he neglected to sign or return it), but I definitely know that before NMTV agreed to purchase the Odessa construction permit, I spoke with Pastor Espinoza and he strongly favored the purchase. The resolution authorizing TBN to act as NMTV's accounting agent was recommended by NMTV's FCC counsel, Mr. May, and I do not recall whether I specifically discussed it with Pastor Espinoza, although I believed at the time that he understood and approved that TBN would provide such services. I am advised that, at the request of Mr. Juggert, Mr. Espinoza executed the document earlier this year.

b. The documents reflect a number of errors. There are two sets of minutes for a special meeting held on February 2, 1987. (Tab EE, pp. 2-3.) Several documents prepared in January and February 1987 incorrectly describe Terrence Hickey as either Secretary or a Director of NMTV. (Tab EE, pp. 1, 3-5.) Mr. Hickey was actually Assistant Secretary rather than Secretary, and he has never been a Director of NMTV. The minutes of the meeting dated December 12, 1988 reflect that I signed them six days earlier, on December 6, 1988, which is erroneous. I did not sign the minutes before the meeting. (Tab EE, pp. 13-14.) In the heading of the minutes at Tab EE, page 20, the date is shown as January 15, 1990, while the first

paragraph of the minutes shows the date as January 16, 1990. The minutes of the meeting dated August 15, 1990 lists me as "Secretary," when I should have been listed as "Acting Secretary." The minutes dated March 20, 1993 (Tab EE, pp. 40-41) are dated erroneously. The meeting occurred on April 20. The minutes correcting that error show the correct date on the first page, but continue to show the erroneous March 20 date on the second page. (Tab EE, pp. 42-43.) This list of errors may not be exhaustive. I have no knowledge that any of these errors were intentional or anything other than careless mistakes. I know that I did not focus on or recognize any of the errors when I executed the documents.

c. Although the possible purchase of a station in Concord, California, is the subject of the minutes dated June 19, 1990 (Tab EE, p. 24), I believe the possible Concord acquisition was also relevant to the Action By Written Consent in May 1989 which appears at Tab EE, page 17. As previously indicated, Pastor Espinoza and I were unwilling to sell the Odessa construction permit when Dr. Crouch proposed that action in June 1987, and we were unwilling to sell the station after it was built when Dr. Crouch proposed a sale in December 1988. However, after we had operated the station for half a year, several things happened. First, it became apparent that the local cable systems would not carry us. Second, over a period of time, the owner of a station in Concord, California, in the

San Francisco area, would indicate that he might want to sell the station, and would then change his mind. In May 1989 I thought a chance to acquire either that station or another station in a larger market existed. Third, I thought I had identified a possible buyer for the Odessa station who might pay as much as \$1 million for it. Prior to the May 1989 Action By Written Consent, I called Pastor Espinoza and we discussed the possibility of selling the Odessa station and trying to acquire the one in Concord. We agreed that NMTV needed to grow into larger markets. Nonetheless, we decided that we would not sell the Odessa station unless we could receive at least \$1 million for it. Neither the possible Concord acquisition nor the sale of Odessa for that price materialized, and we in fact continued to operate the Odessa station for nearly two more years.

d. When we sold the Odessa station in 1991, NMTV was attempting to acquire a station in the Wilmington/Philadelphia market, the nation's 4th ranked market. (Tab EE, pp. 27,29,31; Tab R, pp. 89-145.) Although I did not review specific demographic data about minority populations in evaluating markets for NMTV, I understood that large markets usually have significant minority populations. For example, even a modest percentage of minority population in the nation's current 26th largest market, Portland, actually constitutes a significant number of minorities. As the 1990 Census data that is attached at Tab FF shows, although the percentage of minorities in the

Portland metropolitan area is 12.8%, that percentage represents a community of approximately 160,000 minorities. (Tab FF, p. 5.) In comparison, although the percentage of minorities in the Odessa-Midland metropolitan area (the current 152nd market) is over 40%, that percentage represents just over 100,000 minorities, one-third fewer than reside in Portland. (Tab FF, p. 5.) I also believed that, for NMTV to be a successful minority company, it could not stay resigned to the smallest communities, but needed to have a presence in the large television markets. For example, if NMTV had acquired the Wilmington/Philadelphia station, it would own stations in two of the nation's top 30 markets (4 and 26), something I believe few if any minority companies have achieved. I believe such ownership not only would be a springboard for the further growth of NMTV, it would offer new employment and service for minorities and create inspiration and opportunity for more minorities to enter the television industry.

e. As reflected at Tab EE, page 37-38, in October 1992 NMTV planned to participate in a project named Community Brace, Inc., a for-profit investment corporation that would provide financing and have ownership in projects designed to rebuild areas of Los Angeles that had been damaged in the riots earlier that year. NMTV Director E.V. Hill was an officer, director, and stockholder of Community Brace and did not participate in NMTV's action. The proposal that Community Brace

made was that NMTV would make a secured loan of approximately \$1.5 million to Community Brace and a small equity investment, TBN would help underwrite that funding, and the federal government would provide Community Brace with \$1.5 million in matching funds. I was very interested in assisting this worthy venture for the minority community and NMTV and TBN both took serious steps to participate. TBN loaned \$1 million to NMTV to help NMTV obtain a \$1.5 million line of credit for the benefit of Community Brace. Copies of NMTV's resolution to obtain that line of credit and the letter of credit in favor of Community Brace are attached at Tab GG. However, we subsequently learned that the project could not proceed as proposed; NMTV could not participate in the form of a secured loan, the \$1.5 million instead had to be used to purchase equity; and the federal government would not match NMTV's contribution immediately, and would do so at all only if it was satisfied with its audits of Community Brace's activities. Without a secured loan and matching government funds, it was a very risky venture. Norman Juggert advised me that he and the professional tax accountant that TBN employs, James Guinn, did not think that the investment satisfied the requirements for prudent investments that apply to non-profit religious organizations. I did not think it was wise to proceed, and neither did Dr. Crouch, so NMTV did not participate. However, I want to make clear that my decision not to proceed with the Community Brace project was based on my own conclusion that the project as it had to be restructured was too

risky for a non-profit corporation like NMTV to undertake. No one pressured me to make that decision, and I do not think I am obligated to reject sensible advice from legal experts simply because those experts are providing the same advice to TBN, or to support an action that I believe is unwise simply because TBN thinks it is unwise also.

78. During discovery in this proceeding, in the last week of September or early in October, I was advised by FCC counsel, Howard Topel, that errors existed in NMTV's IRS filings and financial statements for the period from 1980 to 1987. Scott Morris of Goodrich, Goodyear & Hinds, the outside accounting firm for NMTV and TBN since 1990, has been commissioned to investigate these errors. I understand that his report shows that the NMTV tax returns for 1980 through 1987 and the combined financial statements for the same period reflected an erroneous accounting practice of attributing the translator expenses of TBN to TTI and booking those expenses as loans from TBN to TTI. I also understand that Mr. Morris found that the erroneous practice ended in 1987, when NMTV became an active company and bought the Odessa station, and that the error was corrected in NMTV's IRS filing for 1988.

79. I have no recollection of the beginning of this accounting practice. I do recall that, after NMTV had filed low power applications in late 1980 and early 1981, the FCC took no action on those applications until 1988. From the filing of

those applications until 1987, NMTV was an inactive company. Not until we contracted to acquire Odessa in 1987 did NMTV become an active company. It was at that point that the erroneous accounting practice ceased.

80. I recall that the TBN telethon in November 1980 contained specific solicitations for the new company, TTI, and that some of the money raised in that telethon was earmarked for TTI. The financial documents from that period show that the amount was about \$31,000, and that is also my recollection.

81. I was involved in the preparation of each of the TTI applications filed in 1980 and 1981. Eight were filed in November 1980. Seven were filed in the first week of December. One was filed December 23 and one on January 6, 1981. I have recently been shown some documents from that same period, which are attached at Tab HH, pages 1-4, that may have a bearing on how the erroneous accounting practice began. They are: a letter to me from Colby May dated November 10, 1980; a memorandum to me from Bill Phipps, then TBN's Director of Finance, dated December 4, 1980; and a memorandum from Mr. Phipps to Debbie Smith of the accounting department, with a copy to me, dated December 3, 1980. Although I probably saw each of those documents at or about the time it was written, I do not have a recollection of doing so. I was preoccupied at the time with the telethon and the preparation and filing of the low power applications.

82. As I review these documents now, I can see that they may indicate that Mr. Phipps was instituting the accounting practice that Mr. Morris has found was followed until 1987. I note that Mr. Phipps' memo of December 3, 1980, refers to "a new designated code" as the "proper account" for all funds "earmarked for either Satellator or Translator Stations." (The term "satellator" refers to translators fed from satellites.) I am also aware now that his memo to me of December 4, 1980, which was captioned "Fund Solicitation for Translator T.V., Inc." said that "we will have a new designated file prepared and we will record all funds that are earmarked for either Satellator or Translator Stations."

83. Perhaps these documents should have indicated to me that the accounting department was recording all translator expenses as an advance to TTI. But in fact they did not. Nor did the balance sheet that was included in the amendments to translator applications that TTI filed with the FCC in February 1981. (Tab HH, p. 5.) I have been advised that Mr. Morris' report states that Mr. Sumner of the TBN accounting department recalls that it was prepared by Mr. Phipps at my request. That is probably true. Although I cannot recall after 13 years my state of mind when I first saw that balance sheet, the figure of \$30,000 for TTI revenues is consistent with my understanding that the November 1980 telethon had raised funds specifically for TTI. The \$21,000 figure for expenses is consistent with my

knowledge that TTI had filed 17 translator applications and that there are always costs associated with such filings. But I have no recollection of being aware that the financial statement showed a \$61,000 asset figure for translator equipment. I believe I either did not notice the figure or, if I did notice it, it did not register with me.

84. As I have stated, I am advised that Mr. Morris has reported that the accounting errors, which ended in February 1987, were corrected in TBN's filing with the Internal Revenue Service for 1987 and in NMTV's filing for 1988. Those errors covered a period during which NMTV held no FCC authorizations. Because NMTV was inactive throughout that period while we waited for FCC action on our translator applications, I paid little attention to NMTV's financial reports or financial status until NMTV bought the construction permit for Odessa in 1987. I have no recollection of ever being aware of the accounting errors until Mr. Topel informed me about them a little over a month ago.

85. The accounting errors of 1980-1987 played no role whatsoever in NMTV's submissions to the FCC in low power and full power applications that NMTV is a minority-controlled company. When NMTV made those submissions, I was unaware of the accounting errors and gave them no consideration. Our assertions that NMTV is a minority-controlled company were based on the good faith understanding, supported by advice of counsel,

that because the majority of NMTV's Board of Directors is comprised of minorities, NMTV is in fact a minority-controlled company. I hold that belief today.

C. Conclusion

86. To conclude and summarize, I would like to address the statements the FCC made when it designated the issues concerning NMTV. In doing so, my purpose is to assure the FCC that at no time did I realize that anything I or NMTV was doing was improper. My intention always has been, and still is, to comply with the requirements of the FCC.

87. Paragraph 33 of the HDO states that the following factors are evidence that TBN has asserted control over NMTV's Board of Directors: (a) from September 1980 to October 1991, two of NMTV's three Directors (Dr. Crouch and I) were high-ranking TBN employees; (b) since October 1991, TBN retains negative control of NMTV's Board by virtue of the conduct of the two TBN employees; (c) I was an officer and Director of TBN before being appointed to the NMTV Board of Directors, and I have continued in a high administrative position at TBN; (d) my position and conduct on the NMTV Board of Directors is integrally related to my role at TBN; (e) Dr. Crouch is the President of both TBN and NMTV and, as President of NMTV, has authority under NMTV's Bylaws to "supervise, direct and control the business and the officers of [NMTV];" and (f) for many years

TBN and NMTV held joint Board of Directors meetings along with other TBN affiliates.

88. In response, I first would state that it never occurred to me that the FCC has a requirement that I resign my position at TBN in order to serve on the NMTV Board. It is my experience on other non-profit Boards on which I have served that the Board members typically retain their existing employment. For example, I serve on Boards with a full-time teacher, full-time law enforcement officer, full-time psychiatrist, and full-time doctor. My husband has served on a number of Boards without resigning his position as a full-time pharmaceutical consultant. Moreover, from 1980 to October 1988, NMTV had no operating stations at all, and then the first one was a very small-market station in Odessa. It just never occurred to me that the FCC had a requirement that I quit my job to be on the Board. My FCC counsel, on whom I rely for FCC compliance advice, knew that I was employed at TBN, and did not advise me I must resign. If it has been an FCC requirement that I leave TBN's employment, I did not know it, and if it is a requirement I will comply with it. I would prefer to see NMTV have the opportunity to acquire another station and then leave TBN's employ and devote myself exclusively to NMTV matters, but if the FCC rules that I must do so before NMTV achieves that level of development, I will comply.

89. The statements that "TBN" had a majority on NMTV's Board, and that "TBN" retains negative control of NMTV's Board, because I am an employee of TBN are untrue. The statements imply that "Jane Duff" and "TBN" are the same thing, that I sit on the NMTV Board as a surrogate for TBN, and that I have no independent mind or judgment of my own. As I have discussed in preceding paragraphs, I sit on the NMTV Board as myself, Jane Duff, a minority American, and I have exercised my best judgment to act in NMTV's interests even when those interests have been contrary to TBN's.

90. Third, as shown in paragraph 35 above and at Tabs L and M, the fact that I was an officer and Director of TBN was openly disclosed to the FCC in the very first applications that TTI filed in 1980. Similarly, as shown in paragraphs 15-17 and 56 above and at Tabs G-K and V, I believed that my continuation in a high administrative position at TBN also was disclosed to the FCC. In my capacity as an employee of TBN, I have been active and visible in the television industry and I certainly never had any intention to conceal that employment from anyone. Likewise, the fact that Dr. Crouch is the President of both TBN and NMTV, and as President of NMTV has the authority under NMTV's Bylaws that the HDO cites, was fully disclosed to the FCC in NMTV's applications and numerous other filings. (Tab I, pp. 1, 14; Tab L, pp. 7, 13, 46; Tab M, pp. 7, 13, 40; Tab Q, pp. 24, 35; Tab R, pp. 5, 7, 14, 16, 33, 35, 45, 56, 63, 72, 95,

134; Tab T, pp. 55, 67.) In fact, the FCC specifically requested copies of NMTV's Bylaws for it to review before it granted the Odessa application. (Tab I.) I understood that the FCC rules authorized Dr. Crouch to hold a cognizable interest, such as President and Director, and that the FCC had approved him serving in those capacities. I at all times, therefore, have believed that both my role at TBN and his role at NMTV complied with FCC requirements.

91. I am not sure exactly what the HDO means when it states that my position and conduct on the NMTV Board of Directors is integrally related to my role at TBN. I believe I hold my position on the NMTV Board as an individual, and can only be removed from that position by a majority vote of the Directors, regardless of whether I continue to have any relationship to TBN. While I do not understand that my conduct in making decisions on the NMTV Board is "integrally related" to my role at TBN, since I believe I make my own judgments as an individual Board member, some of my activities for NMTV have had a relationship with my employment at TBN and some have differed. As previously discussed, my responsibilities for NMTV go well beyond my duties for TBN. For NMTV, my position and conduct are those of an owner who has primary responsibility for the company's day-to-day affairs; for TBN I am an employee. When, during my employment at TBN, I prepare communications to TBN's owned and operated stations that I believe are applicable to

NMTV, I will send the same communications to NMTV station management. I prepared an employee handbook for NMTV by using the one at TBN with which I was familiar and conforming it for NMTV. I have done the same thing with other TBN policies and manuals that I thought were applicable to NMTV. As indicated above, I also have used professionals for NMTV that I have known through my experience at TBN, and I handle low power matters for TBN as well as for NMTV. Both of those facts have been disclosed to the FCC many times. (Tab V.) In performing these activities, I did not intend to violate any FCC requirements. I thought that one of the purposes of the FCC's minority employment and ownership policies was to enable minorities to acquire experience on the inside of the industry and then to use that experience at their own stations. It did not occur to me that NMTV might be required to expend resources to hire attorneys and other professionals to recreate from ground level materials to which I already had access and which I believed suited NMTV's needs. If there is such a requirement, I will comply with it.

92. Fifth, the years when NMTV held its Board of Directors meetings jointly with other TBN affiliates were 1982 to 1987, a time when NMTV held no FCC authorizations and, except for the legal requirement to hold an annual meeting and elect officers, had virtually no business to transact. The practice started because, since Dr. Crouch and I already were at the affiliates

meeting, Pastor Espinoza could join us there and he could learn about and feel part of the television industry. As shown in Tab EE, once it applied to acquire the Odessa station, NMTV engaged in numerous meetings and corporate actions separate and apart from the TBN affiliates meetings. Moreover, while NMTV and its station managers did continue to attend the annual network affiliates meeting, we would adjourn to hold NMTV's annual business meeting in private quarters apart from the general meeting of affiliates.

93. In paragraph 34, the HDO states that "it appears that NMTV produces little or no programming independent from TBN," which it says is evidence that TBN controls NMTV's programming. In response, I would first note that NMTV's delays in implementing local programming did not result from any directives or control asserted by TBN. Rather, they resulted from the problems NMTV had obtaining cable coverage in Odessa and the small size of that market, and the awful construction problems we experienced in building the Portland studio. In this regard, while the HDO refers to a weekly program that it says is recorded in TBN's studios, that program was intended to be produced in Portland when NMTV's studios were completed. The statement in the HDO refers to a time period before the Portland studios were completed. Since the Portland studios were completed, the program has been produced in Portland. Second, as discussed above, the Affiliation Agreement with TBN gives

NMTV the right to cancel the affiliation on 120 days notice. I included that provision in the Agreement to assure that NMTV had the flexibility and independence to move in whatever program direction it wanted. I endeavored to preserve that flexibility and independence when I negotiated the Portland tower lease. The Affiliation Agreement also gives NMTV the right to preempt or reject TBN programs. Therefore, NMTV is not bound to broadcast TBN programs, and I do not believe that TBN controls NMTV's programming choice. Third, NMTV's programming obviously is broadcast over the air and is in plain public view, and NMTV clearly had no intention to hide what it was doing. I simply have been unaware that the decision to affiliate with a particular broadcast network, pursuant to an agreement by which the licensee retains the right to cancel the agreement or preempt or reject programs, is considered to have given the network control over the licensee's programming; or that the FCC places a restriction on the amount of network programming an affiliate may broadcast. If NMTV is not in compliance with any such restriction, I regret the violation and we will immediately comply. In any event, as discussed above, NMTV has planned to produce local programming from the beginning. Since the completion of our studio we have been and are now producing local programming, and we intend to continue to develop our local programming and service to the community.

94. In paragraph 35, the HDO states that TBN provides accounting and bookkeeping services to NMTV, TBN advanced or loaned NMTV \$4 million with no formal notes or repayment schedules, and people authorized to sign on NMTV's accounts are TBN employees. As discussed above, based on advice of FCC counsel, I have understood that TBN's provision of accounting and bookkeeping services and advancement of funds were consistent with FCC policy, which I understood encouraged group owners to provide financing and assistance to minority controlled companies and permitted those group owners to hold and exercise cognizable interests in those companies. I have considered the provision of the accounting and bookkeeping services to be an administrative assistance to NMTV, which could be terminated and removed elsewhere whenever NMTV's Board desired. Similarly, as previously discussed, NMTV has elected as Assistant Secretaries individuals who also are TBN employees for the convenience of having additional people available to sign checks or documents. The NMTV Board has the control necessary to change those designations whenever it wants, and the Business Services Agreement makes TBN responsible to NMTV for claims or liability that result from errors in TBN's performance. I therefore have not understood these arrangements to afford TBN control over NMTV's affairs or to violate any FCC requirements. If my understanding and the advice I have received from counsel are erroneous, I will support that NMTV take whatever steps the FCC requires to correct that error.

While we did not execute notes to evidence TBN's initial loans, we always intended to repay them. Although I never considered the absence of a formal repayment document to be something that would give TBN control over NMTV, we have entered into a formal note and repayment schedule with TBN, copies of which are attached at Tab II.

95. Paragraph 36 of the HDO states that it appears that TBN controls NMTV's personnel policies because: (a) some of NMTV's personnel policies were adopted at joint Boards of Directors meetings with TBN and its affiliates, (b) the employee handbooks for NMTV and TBN are virtually identical, and (c) I am the person responsible for personnel matters at NMTV and I am a long-time TBN employee. However, the statement that NMTV's personnel policies were adopted at joint Board of Directors meetings is an error. While the minutes of the joint meetings may appear confusing, at the time of those meetings, which occurred between 1982 and 1987, NMTV had no stations, had no employees, and adopted no personnel policies. Those actions were taken by other companies. As indicated above, I subsequently have utilized my experience at TBN to conform for NMTV policy manuals that TBN was using where I thought they were appropriate, such as the employee handbook to which the HDO refers. As I have previously discussed, I did not think it was impermissible for me to do so. Finally, I have already addressed the suggestion that I perform my duties for NMTV

merely as a surrogate for TBN. I supervise the personnel of NMTV as a Director of NMTV and subject to the authority of NMTV's Board of Directors. Once again, if NMTV has committed any errors in connection with its personnel matters, I would ask that the FCC specify for us what those errors are and I will support taking immediate corrective actions.

96. At no time have I ever believed that any person or entity other than the Board of Directors has controlled NMTV. A majority of NMTV's Board has always been comprised of minorities who, in my firm belief, control the company. I believe that NMTV is a minority-controlled company that meets the goals for minority ownership that the FCC intended, and in conducting NMTV's affairs and making its submissions to the FCC, I have proceeded in absolute good faith.